

Message Text

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UNCLAS TOKYO 4237

E.O. 11652: N/A

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SUBJECT: GRAPHITE ELECTRODE SUPPLY SITUATION DEERE & CO.

REF: (A) TOKYO A-29, JANUARY 17, 1974 (B) STATE 27164

(C) TOKYO 2415 (D) STATE 52200

1. SUMMARY. DURING RECENT VISIT TO TOKYO REPRESENTATIVES OF DEERE & CO. UNSUCCESSFUL IN OBTAINING GRAPHITE ELECTRODES FROM NIPPON CARBON CO., LTD. JAPANESE FIRM GAVE CURTAILMENT OF PRODUCTION NECESSITATED BY POWER SUPPLY CUTBACKS AS REASON FOR ITS CURRENT INABILITY TO SUPPLY ELECTRODES TO DEERE. ACCORDING MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) OFFICIALS, MITI HAS NEITHER STATUTORY JURISDICTION NOR CURRENT UNOFFICIAL POLICY TO DEAL WITH SHORTAGE SITUATION IN GRAPHITE ELECTRODE TRADE. END SUMMARY.

2. DURING VISIT TO TOKYO MARCH 17-22, MESSRS. RICHARD WHARTON AND PAUL HAMILTON, DEERE & CO., MET WITH H. ARAI, MANAGER, FOREIGN TRADE DEPARTMENT, NIPPON CARBON CO., LTD. AND SEPARATELY WITH FOLLOWING GROUP MITI OFFICIALS: OGISHIMA, INTERNATIONAL TRADE DIVISION, CONSUMER GOODS INDUSTRIES BUREAU; INO, CERAMICS AND CONSTRUCTION MATERIALS DIVISION, CONSUMER GOODS INDUSTRIES BUREAU; YAMASHITA AND INOUE, AMERICAS-OCEANIA DIVISION, INTERNATIONAL TRADE POLICY BUREAU. EMBASSY ARRANGED MEETINGS BUT DID NOT ATTEND.

3. DEERE & CO. REPS TOLD EMBASSY THAT FIRM ESTIMATED 1974 REQUIREMENTS FOR GRAPHITE ELECTRODES TO BE 1600 UNITS (14"X72" UNCLASSIFIED

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SIZE) AS COMPARED WITH 1973 PURCHASES OF 660 UNITS. ACCORDING

TO DEERE, JAPANESE SUPPLY 30-50 PERCENT OF ELECTRODES THIS SIZE RANGE USED BY U. S. FIRMS. DEERE RECEIVED LAST SHIPMENT OF ELECTRODES (480 UNITS) IN AUGUST-SEPTEMBER, 1973. IN NOVEMBER, WHEN COMPANY ATTEMPTED PURCHASE ADDITIONAL NUMBER FROM NIPPON CARBON THROUGH DEERE'S WHEHCO, INC., LATTER REPLIED THAT NIPPON CARBON UNABLE SUPPLY ANY ELECTRODES DUE CURTAILMENT OF PRODUCTION NECESSITATED BY POWER SUPPLY CUTBACK IMPOSED BY GOJ AS MEASURE TO DEAL WITH ENERGY CRISIS. DEERE & CO.'S MEETINGS WITH ARAI AND MITI OFFICIALS PRODUCED ONLY CONFIRMATION OF THIS SITUATION - NO ELECTRODES OR PREDICTION OF WHEN SUPPLY MIGHT BE RESUMED.

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4. ON MARCH 29, EMBASSY MET WITH YAMASHITA AND INO TO QUERY WHETHER MITI EXERCISING ADMINISTRATIVE GUIDANCE TO CURB EXPORTS OF GRAPHITE ELECTRODES IN LINE WITH POLICY FAVORING DOMESTIC OVER FOREIGN BUYERS. MITI OFFICIALS STATED THAT NO SUCH POLICY EXISTS AND NO GUIDANCE ANY KIND BEING GIVEN. UNDER TERMS EXPORT CARTEL, GLOBAL UPPER LIMIT OF EXPORTS SET ANNUALLY WITH APPROVAL OF MITI (ENCLOSURE 3, REF A). CARTEL QUANTITY AND PRICE PROVISIONS DESIGNED PREVENT POSSIBLE DUMPING OF ELECTRODES AND HAVE NO APPLICABILITY TO SHORTAGE SITUATIONS. ACCORDINGLY, MITI ONLY CONCERNED WITH UPPER LIMIT OF ELECTRODE EXPORTS. IF EXPORTS FALL BELOW GLOBAL LEVEL SET BY CARTEL OR IF INDIVIDUAL COMPANIES CHOOSE SUPPLY DOMESTIC END-USERS BEFORE FOREIGN, MITI HAS "NOTHING TO SAY." MITI OFFICIALS COMMENTED THAT THEY BELIEVED SUBSTANTIAL QUANTITY ELECTRODES WOULD CONTINUE BE EXPORTED BUT THAT IN RECENT MONTHS, JAPANESE FIRMS MORE INTERESTED IN EXPORTING TO COUNTRIES OTHER THAN U.S. FOR PRICE REASONS: ELECTRODE PRICES SUBJECT TO CONTROLS IN U.S. AND ARE LOW COMPARED WITH WORLD PRICE LEVEL.
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